



# RETIREMENT COORDINATING COUNCIL

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*For Michigan Public School and State Employees*

## Executive Director

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## RCC Officers

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Leonard Minkwic, Treasurer

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## MEMBER ORGANIZATIONS

AFSCME LOCAL 732  
AFSCME LOCAL 1346  
AFSCME LOCAL 1815  
Association of State Employees in  
Management  
Dearborn Federation of School  
Employees Local 4750  
Dearborn Schools Administrators  
Association  
Dearborn Schools Operating  
Engineers Association  
Detroit Association of Retired School  
Personnel  
Grand Rapids Community College  
Faculty Association  
Grand Rapids Public Schools  
Paraprofessional Association  
Henry Ford Community College  
Administrators Association  
Henry Ford Community College  
Federation of Teachers  
International Union of Operating  
Engineers Local 547 A-B-C Non-  
Instructional Supervisory  
Employees Association  
Macomb School Employees  
Retirement Association  
Michigan Association of  
Governmental Employees  
Michigan Career Leadership Network  
Michigan Corrections Organization  
SEIU Local 526M  
Michigan Federation of Teachers and  
School Retired Personnel  
Michigan State Employees Retirement  
Association  
Retirees Organization of School  
Administrators and Supervisors  
Service Employees International  
Union, Local 31M, AFL-CIO  
Service Employees International  
Union, Local 591  
United Technical Employees  
Association, SEIU 517M, AFL-CIO  
Warren Administrators Association

## TESTIMONY ON HB 5314

November 1, 2005

The Retirement Coordinating Council (RCC), a coalition of 21 school and state employee and retiree organizations, opposes HB 5314, a bill that would remove all prospective community college employees from the Michigan Public School Employee Retirement System. The net effect will be that newly hired full time faculty and administrators would go into the substantially less popular Optional Retirement Plan that community colleges are required to establish by law. Typically, these plans are defined contribution pension plans, mostly set up under TIAA-CREF and it is our understanding that they usually have no retiree health insurance. Whether other categories of community college employees would be negotiable, and it is likely that some would end up with no pension coverage at all.

Here are the reasons for RCC's opposition to the bill

- Because the legislation removes any legal requirement that community college employees other than full time faculty and administrators have any pension coverage at all, some future support staff and part-time instructional staff currently provided retirement benefits may lose them entirely;
- The preliminary data we have collected on the selection of the Optional Retirement Plan suggests that the vast majority of employees who have a choice between this plan and MPSERS choose the latter;
- The optional retirement coverage offered by community colleges is typically a defined contribution plan with no retiree health insurance for members or their families;
- Because of the relatively higher costs of setting up small defined benefit pension plans, a vote for this bill is essentially a vote to eliminate defined benefit pension plans at community colleges; and
- The 40 year amortization period in the bill to pay off the unfounded accrued liability is longer than the 32 year amortization period required of all systems currently and longer than that recommended by the General Accounting Standards Board (GASB).

The Council assumes that the purpose of the bill is to reduce employer pension costs at community colleges. While their concerns are certainly understandable, we would like the committee to be aware of two recent actions by the MPSERS Board that will be of help to employers. The first was the decision by the MPSERS Board to integrate the MPSERS prescription drug plan with Medicare, Part D, under the Medicare Modernization Act. This decision should save employers about \$80 million in the upcoming calendar year, due to the subsidy that will be provided by the federal government.

Consequently, in FY 2007, the retiree health portion of retirement costs is likely to stay stable. Secondly, at the most recent MPSERS Board meeting, an actuarial assumption change related to salary costs was adopted, and this change should save employers about \$97 million in the pension part of the employer contribution. The RCC strongly supported both proposals but opposes HB 5314 for all of the reasons cited above. We respectfully urge the committee to consider other means to help control costs.